

## The template

This document provides the business case template for projects seeking funding which is made available through the **South East Local Enterprise Partnership**. It is therefore designed to satisfy all SELEP governance processes, approvals by the Strategic Board, the Accountability Board and also the early requirements of the Independent Technical Evaluation process where applied.

It is also designed to be applicable across all funding streams made available by Government through SELEP. It should be filled in by the scheme promoter – defined as the final beneficiary of funding. In most cases, this is the local authority; but in some cases the local authority acts as Accountable Body for a private sector final beneficiary. In those circumstances, the private sector beneficiary would complete this application and the SELEP team would be on hand, with local partners in the federated boards, to support the promoter.

Please note that this template should be completed in accordance with the guidelines laid down in the HM Treasury's Green Book. <https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government>

As described below, there are likely to be two phases of completion of this template. The first, an 'outline business case' stage, should see the promoter include as much information as would be appropriate for submission though SELEP to Government calls for projects where the amount awarded to the project is not yet known. If successful, the second stage of filling this template in would be informed by clarity around funding and would therefore require a fully completed business case, inclusive of the economic appraisal which is sought below. At this juncture, the business case would therefore dovetail with SELEP's Independent Technical Evaluation process and be taken forward to funding and delivery.

## The process

This document forms the initial SELEP part of a normal project development process. The four steps in the process are defined below in simplified terms as they relate specifically to the



LGF process. Note – this does not illustrate background work undertaken locally, such as evidence base development, baselining and local management of the project pool and reflects the working reality of submitting funding bids to Government. In the form that follows:

Version control	
<b>Document ID</b>	Sidney Little Road LGF3b Gateway 2 Application April 2019
<b>Version</b>	Draft 9 <sup>th</sup> April 2019
<b>Author</b>	Pranesh Datta & Ian Sycamore
<b>Document status</b>	Draft
<b>Authorised by</b>	Pranesh Datta
<b>Date authorised</b>	9 <sup>th</sup> April 2019

## 1. PROJECT OVERVIEW

### 1.1. Project name:

*[Specify the name of the scheme, ensuring it corresponds with the name of the scheme at programme entry (when added to the LGF prioritised list of projects).]*

Sidney Little Road Business Incubator Hub (Site PXQX)

### 1.2. Project type:

*[Site development, skills, innovation etc.]*

Development of a redundant land providing 28 new incubator units

### 1.3. Federated Board Area:

*[East Sussex, Kent & Medway, Essex, and Thames Gateway South Essex]*

East Sussex

### 1.4. Lead County Council / Unitary Authority:

*[East Sussex, Kent, Medway, Essex, Thurrock, Southend-on-Sea]*

East Sussex County Council

### 1.5. Development location:

*[Specify location, including postal address and postcode.]*

Sidney Little Road, Churchfields Industrial Estate, Hastings TN38 9PU

### 1.6. Project Summary:

*[Provide a summary of the project; max. 0.5 pages.]*

Hastings Borough Council wants to develop 28 new incubator units on a currently redundant site (Site PX) identified for industrial development in the Hastings Local Plan adopted in 2015. This is an application for £500,000 of grant funding from the Local Growth Fund to leverage other funding and bring the development forward.

The proposed site is ideally located on a well-established industrial estate within an area of three estates known as the '3C's'. The industrial estate style location is within easy reach of the two major trunk roads (A259 and A21) providing ideal access for business employees and visitors, has on-site parking, and nestles alongside and close to potential supply chain contacts.

The council propose to develop 28 new incubator units, ranging from 322<sup>sqft</sup> to 344<sup>sqft</sup> in size (a total of 9,558<sup>sqft</sup>). The council owns the land and the project has been developed to RIBA stage 2.

The grant funding will be used towards the development and building costs of the incubator units. In particular, it will be used to reduce the long term loan cost to the council. This will enable the project to financially break even within five years of development and close the gap funding to ensure long-term viability. Appendix 1: LGF 3b HBC Sidney Little Road Business Case Oct 18 (subject to updates).

The council has estimated a total development and build cost of £2,773,686 to complete the project by March 2021 (revised new timeline to original application). The grant funding will allow the council to borrow £2,273,686 from the Public Works Loan Board to enable development. The Public Works Loan Board's current interest charge is 2.75% over 40 years.

The council is committed to investing in this venture during the first five years until it breaks even to the sum of £250,000. Please refer to 2: Appendix 2: LGF 3b HBC Sidney Little Road Financial Assessment Oct 18.

**1.7. Delivery partners:**

*[List all delivery partners and specify the lead applicant and nature of involvement, as per the table below.]*

Partner	Nature of involvement (financial, operational etc.)
Hastings Borough Council	Lead and delivery partner. Long term commercial managers of the incubation hubs

**1.8. Promoting Body:**

*[Specify who is promoting the scheme.]*

Hastings Borough Council  
East Sussex County Council

**1.9. Senior Responsible Owner (SRO):**

*[Specify the nominated SRO and provide their contact details. The SRO ensures that a programme or project meets its objectives and delivers projected benefits. This is not the same as a Section 151 Officer.]*

Pranesh Datta  
Economic Development Manager  
Hastings Borough Council  
pdatta@hastings.gov.uk  
01424 451784

**1.10. Total project value and funding sources:**

*[Specify the total project value, how this is split by funding sources, any flexibility in funding scale and profile and any constraints, dependencies or risks on the funding sources, as per the table below.]*

Funding source	Amount (£)	Flexibility of funding scale or profile	Constraints, dependencies or risks and mitigation
HBC - Public Works Loan Board	£2,273,686	We cannot borrow further funding as there would be too much risk to the council	Budget Cabinet approval for project and loan (PWLB) granted Feb 2019 subject to LGF Funding £500K. Interest rate fluctuation – dependent on rates at the time of actual borrowing and further report to Cabinet if required.

			Final build cost – accurate costing by consultants. Pre-work and land design issues – surveys conducted, planning advice sought.
LGF	£500,000	This sum cannot decrease because there is no alternative funding to fund the proposal and the council is already taking financial risk in terms of managing revenue shortfall in the first five years	If LGF funding declined the project is unlikely to proceed given the council's current financial situation. Council will be supporting the project by accepting a deficit of income for the first five years. This LGF fund mitigates continued deficit for further lengthy period.
<b>Total project value</b>	<b>£2,773,686</b>		

**1.11. SELEP funding request, including type (LGF, GPF etc.):**

*[Specify the amount and type of funding sought from SELEP to deliver the project. Please also confirm that the funding will not constitute State Aid.]*

We have undertaken an initial State Aid self-assessment and based on this consider that the council may be considered to be in receipt of State Aid in principle. This would be managed by using a suitable General Block Exemption Regulation (eg, Article 56). Should the application be approved we will be asking our legal department to confirm our assessment and register the GBER on the SANI 2 system on our behalf.

The tenant businesses renting the space will not be receiving any subsidy, the test is not met and they will not be in receipt of State Aid.

All contractors will be tendered through the East Sussex Procurement Hub, which is compliant with EU procurement regulations, and therefore will not be in receipt of State Aid.

Potential beneficiaries	The council	Building contractor (procured)	Business renting space (not subsidised)
Transfer of State Resources (grant/subsidised or no fee)	Yes	No	No – market value
To an undertaking (operating a business)	Yes	No	Yes
Advantage	Yes	No (market Value)	No - market value
Is the advantage selective	Yes – LEP area only	No – as above	No
Potential to distort competition	yes	No – as above	No
Affects trade between member states	In Principle		No

**1.12. Exemptions:**

*[Specify if this scheme business case is subject to any exemptions (and provide details of these exemptions) as per the SELEP Assurance Framework 2017, Section 5.7.4 and 5.7.5]*

No exemptions

**1.13. Key dates:**

*[ Specify dates for the commencement of expenditure, the construction start date and the scheme completion/opening date.]*

Key Milestones	Description	Indicative Date
DESIGN RIBA Stage 2-3	Design and Project Management Appointments;  Completion of RIBA Stage 2 – 3	April 2019  June 2019
Local Growth Fund Approval  HBC Cabinet Approval	Approval of LGF Funding (Accountable Body)  Project proposal requires HBC Cabinet approval to proceed	June 2019  February 2019
HBC Loan Approval from Public Loan Works Board	Subject to Cabinet approval – application to Public Works Loan Board	May 2019
PLANNING APPLICATION	Planning Consultations and Submission; Planning Review; Planning Approval	July – Sep 2019
TECHNICAL DESIGN RIBA Stage 4	Technical Design, preparation of tender documents, tendering of works	October 2019
CONSTRUCTION RIBA Stage 5	Appointment Contractor; lead in time; construction on site	January 2020
HANDOVER RIBA Stage 6	Defects Work and Handover – and units beginning to be let	January – February 2021

Please refer to Appendix 3: LGF 3b HBC Sidney Little Road Project Plan April 19

**1.14. Project development stage:**

*[Specify the project development stages to be funded, such as inception, option selection, feasibility, outline business case, detailed design, procurement, full business case, implementation, the current project development stage, and a brief description of the outputs from previous development stages. Add additional rows as necessary. Please note, not all sections of the table may require completion.]*

Project development stages completed to date			
Task	Description	Outputs achieved	Timescale
Sidney Little Road Incubation Units - RIBA Stage 1 & 2	Preparation of Brief and Concept Design	Concept Proposals	Produced December 2017

Ecological Survey	Ecological appraisal of Sidney Little Road Land	Recommendations made in addressing ecological issues	March 2017
Topographical Survey	Land Survey	Survey assessment	March 2017
Transport pre application advice	Consultation with ESCC Highway regarding proposal	Positive feedback to proposals	October 2017
Pre – planning application advice	Consultation with Planning Department regarding proposal	Positive feedback to proposals	June 2018
Business Case Development	Development of proposals, assessing market demand, risks and return on investment	First draft produce February 2018 and revised October 2018	October 2018
HBC Cabinet Approval	Approval to proceed with the development and seeking delegated authority	Approved at Budget Cabinet subject to LGF 3b Funding	February 2019

**Project development stages to be completed**

Task	Description	Timescale
HBC loan approval from PWLB	Confirmation of loan arrangements for £2,273K from PWLB	May 2019
DESIGN RIBA Stage 2-3	Concept Design to Developed Design and Planning Approval	June 2019
TECHNICAL DESIGN RIBA Stage 4	Technical Design to build tender assessment and appointment	October 2019
CONSTRUCTION RIBA Stage 5	Appointment of contractor and build phase	January 2020
HANDOVER RIBA Stage 6	Building Completed and ready for occupation	January – February 2021
Incubation Units commence letting	Building opening event	March 2021

Please see

Appendix 3: LGF 3b HBC Sidney Little Road Project Plan April 19 with full time scales and expenditure forecast. The outputs to be achieved are detailed below (item 1.15 and 2.1).

**1.15. Proposed completion of outputs:**

*[Include references to previous phases / tranches of the project (link to the SELEP website) and to future projects to be funded by SELEP. Please see SELEP Programme for more information.]*

The expected outputs from completion of the project are as follows:

- 28 small business Incubator Hubs on two floors; 322<sup>sqft</sup> to 344<sup>sqft</sup> (30 to 32m<sup>2</sup>)
- Total lettable space 9,558<sup>sqft</sup> (887m<sup>2</sup>)
- Projected number of jobs using government guidance = 74 FTE Jobs
- (890m<sup>2</sup> divided by 12m<sup>2</sup> equivalent to 1 FTE)
- Funding sought from LGF is c£500k of the total project cost £2,773,686. Anticipation of c74 jobs being created at an average cost of c£6,800 per job. In relation to the total value of the project, the job to investment ratio is £37,482 per job however, this should be seen as a long term investment over 20 – 30 years and may result in significantly more jobs than shown above.

**Notes on calculation of outputs:**

Job per metre calculations suggest that we would anticipate 0 -5 employees per unit, depending on the nature of the business (e.g. office style would increase the job numbers).

- Projected no of jobs using government guidance = **74 Jobs**  
([https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/378203/employ-den.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/378203/employ-den.pdf)) = 890m<sup>2</sup> divided by 12m<sup>2</sup> (equivalent to 1 FTE) = 74 jobs
  - The number of jobs from the construction phase of the work is difficult to detail at this stage but we estimate it to be around 14 fte design and construction jobs in total over development and build phase.
  - Assumed lease charge £12.08<sup>sqft</sup> per annum – set to assist business start-ups in Hastings

The proposed lease type will be ‘easy in easy out’. This will take the form of monthly rolling licences with a one month notice period, which resolves issues often experienced by start-ups such as their growth being impacted by the wait for a break clause in a longer term lease. The licence fee will initially be set at £12.08<sup>sqft</sup> per annum, with a proposed small increment during the 2023/24 financial year. The licence fee includes insurance of the building, management costs, heating and lighting of common parts, water rates (as long as usage is not ‘heavy’) and the disposal of non-bulky, non-hazardous waste.

Standard equation was used to calculate jobs outcomes, specifically the calculations within the “Employment Density Guide – 3rd Edition” using the Net Internal Area of each unit (32 x (100- 15) = 27.2sqm) as a baseline for tenant organisations, with additional considerations given to sector, including expected levels of part time workers; and average employment densities per sqm.

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/484133/employment\\_density\\_guide\\_3rd\\_edition.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/484133/employment_density_guide_3rd_edition.pdf)

It is anticipated that each tenant will move on into new accommodation within a mean average of three years of date of first occupation, giving a theoretic calculation of 740 jobs over a 30 year period, adjusted by 15% for periods of low economic growth throughout that timescale, changes to working patterns and/or or changes in manufacturing or operating processes as digitalisation continues resulting in (74\*10) – 15% = 629 jobs by the end of the 30 year period.

This results in a long-term job to investment ratio that, even when adjusted for inflation, is competitive.

## 2. STRATEGIC CASE

The Strategic Case should present a robust case for intervention, and demonstrate how the scheme contributes to delivering the SELEP Strategic Economic Plan (SEP) and SELEP’s wider policy and strategic objectives. It includes a rationale of why the intervention is required, as well as a clear definition of outcomes and the potential scope for what is to be achieved.

The outlook and objectives of the Strategic Case need should, as far as possible, align with the Monitoring and Evaluation and Benefits Realisation Plan in the Management Case.

### 2.1. Scope / Scheme Description:

[Outline the strategic context for intervention, by providing a succinct summary of the scheme, issues it is addressing and intended benefits; max. 2 pages.]

The site identified for development in this proposal forms part of a 173,298<sup>sqft</sup> (16,100 m<sup>2</sup>) parcel of land, the largest undeveloped plot on Churchfields Industrial Estate. It borders two other larger plots which are also owned by the council and which could provide further larger new business spaces in the future. The council considers that development of the incubator units will inform future proposals for the larger ‘move on’ units on the bottom part of the site. Combining these plots in the future will provide better development opportunities and employment growth in the town, as well as a managed onsite growth pathway for tenant businesses.

It is intended that this will contribute towards the overall goals of the SELEP Economic Growth Strategy by generating new private sector employment, and boosting productivity by providing affordable, fit for purpose supported units.

Incubator Units are office, industrial, or high-tech space usually with a form of management in place and often shared amenities or services. They are intended to provide an economical and supportive environment for new business start-ups or those needing to move into professional premises. They are popular because they provide startups and small businesses with formal recognition as reputable businesses with their own offices and headquarters.

The make-up of businesses located on the estate includes nationally and internationally respected enterprises including Marshall Tufflex, Interface, Technoturn, LG Optical as well as Plastica, BD Foods and HG Aerospace on neighbouring estates. The presence of incubator units in the area will enable mutual supply chains and support systems to develop in the area.

A summary of the intended benefits are as follows:

<b>Unit Size</b>	<b>Total</b> 9558 <sup>sqft</sup> (887m <sup>2</sup> )	<b>Number</b> <ul style="list-style-type: none"> <li>• x4 322<sup>sqft</sup> (30m<sup>2</sup> units)</li> <li>• x24 344<sup>sqft</sup> (32m<sup>2</sup> units)</li> </ul>
<b>Provision of amenities and services</b>	<b>Communal</b> <ul style="list-style-type: none"> <li>• Fully accessible</li> <li>• 32 parking spaces (approx. 1 per unit plus visitor parking)</li> <li>• Solar panel array on roof (may reduce energy costs for tenants)</li> <li>• Security; waste, heating and hot water, fire safety system, ground maintenance, Access/signposting to business support</li> </ul>	<b>Individual</b> <ul style="list-style-type: none"> <li>• Shell unit with electric points, heating, telephony/broadband points</li> <li>• Individual kitchenette in each unit.</li> </ul>

<b>Use of units and enabling clustering</b>	<b>Permitted</b> <ul style="list-style-type: none"> <li>• General B Class use (offices, small industrial use and research)</li> <li>• Likely 0 – 5 employees per unit (dependent on the nature of the business)</li> </ul>	<b>Not Permitted</b> <ul style="list-style-type: none"> <li>• Invasive/noisy activities</li> <li>• Warehousing and Retail</li> </ul>
<b>Jobs Created</b>	<b>Development Phase</b>  <b>Number of Business Units Created</b>  <b>Jobs created by tenant businesses</b>	<ul style="list-style-type: none"> <li>• 14 Design and Construction Jobs (year 1 and 2)</li> <li>• 28 Business Units – let on an ‘easy in easy out’ lease basis with one month’s notice</li> <li>• 74 (FTE) jobs created by businesses in hub units from LGF contribution and HBC investment in the first five years. Businesses will be establishing with some succeeding and moving on and others continuing to need support or closing. The building will continue to offer opportunities to new entrepreneurs over the next 20 -30 years</li> </ul>

Locally the council is seen as a good reputable landlord offering well maintained properties. Hastings Borough Council is considered a sound investment when aiming to secure a loan and is likely to achieve favourable loan amounts and terms over and above those available to private developers or other organisations.

The council manages over 300 commercial assets. We have a dedicated Estate Management and Building Maintenance team (staff of 8) overseeing our commercial and building portfolio. They include professional building surveyors, project managers and technical staff. We also have an Economic Development team which is able to offer business support advice together with Locate East Sussex. As a large landlord, we are also able to offer growth solutions and pathways with other properties in our portfolio.

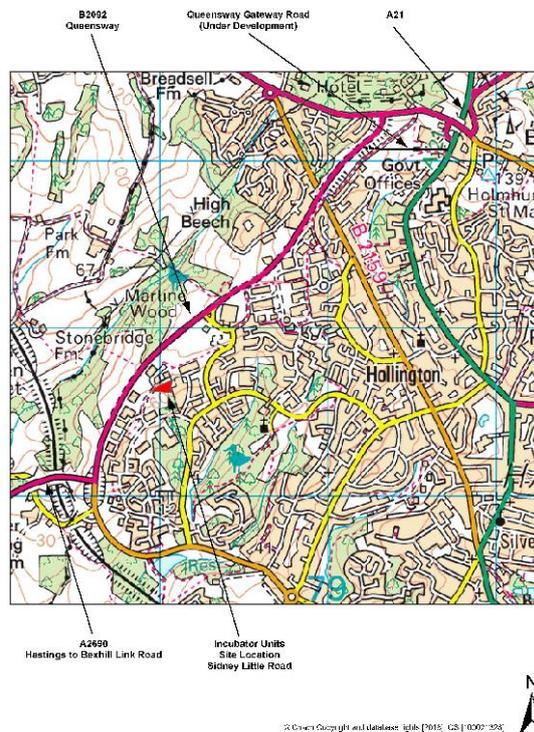
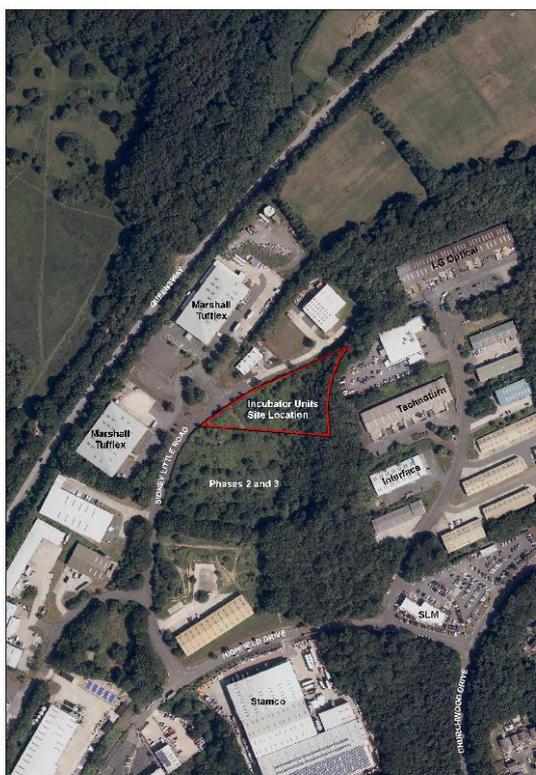
**2.2. Location description:**

*[Describe the location (e.g. characteristics, access constraints etc.) and include at least one map; max. 1 page excluding map.]*

The currently underdeveloped land is owned by Hastings Borough Council and located on Sidney Little Road, Churchfields, Hastings. The site is situated close to the western boundary of Hastings, within Churchfields Industrial Estate, and in close proximity to two further industrial estates, Conqueror and Castleham (known collectively as the 3C’s). A significant portion of the estate is owned and managed by the council, with a very high letting rate and few empties for any period of time. There is no residential housing in close proximity to the site.

The site is also located within close proximity to the Hastings – Bexhill link road (Combe Valley Way) which links the A259 and routes toward Eastbourne, Newhaven and Brighton to the east, and Ashford and Folkestone with its direct links to onward travel to France) with, via Queensway, the A21 (routes toward Tunbridge Wells, Gatwick and London). Further improvements to the road network in the vicinity of the site are underway with the Queensway Gateway Road, another LGF scheme, currently under construction. The Gateway Road will further enhance access from the site to the A21. The make-up of businesses located on the estate is mixed, in the main small and medium enterprises, many of which can be categorised as manufacturing or light industry. Businesses include Marshall Tufflex, Interface, Technoturn, LG Optical as well as Plastica, BD Foods and HG Aerospace on neighbouring estates. The council's employment land retention policy ensures that the units close by will remain B class units to maintain employment levels.

At 16,100 m<sup>2</sup>, it is the largest undeveloped plot on Churchfields Industrial Estate and is valued at £600,000. The council purchased the site in March 2017. The site borders plots NX2 (3,200m<sup>2</sup>) and NX3 (1,700m<sup>2</sup>) which are also owned by the council. Combining these plots will provide better development opportunities and employment growth. All three sites were first identified as employment land by the Local Plan in 1993. The council considers that development of the incubator units will complement the proposal for large units on the bottom part of the site; it is also an ideal site and location for such a development.





**2.3. Policy context:**

*[Specify how the intervention aligns with national/regional/local planning policies and the SELEP SEP; max. 3 pages.*

*Smaller schemes: (less than £2 million) are required to complete this section in line with the scale of the scheme; max. 1 page]*

The proposed development of the site into incubator units aligns with a number of key economic development strategies and plans:

Strategy/ Plan	Type	Strategic Priority
UK Industrial Strategy	National	Business environment – guaranteeing the best place to start and grow a business. Places - creating prosperous communities across the UK.
South East Local Enterprise Partnership Strategic Economic Plan	Regional	Business growth, new commercial space, jobs and skills.
South East Local Enterprise Partnership Economic Growth Strategy	Regional	Boosting productivity, generating private sector employment
East Sussex Growth Strategy	Sub Regional	Support business start-ups and business growth
Hastings & Rother Task Force Six Point Plan	Sub Regional	Urban Renaissance; supporting the development of appropriate employment space and Enterprise Growth; supporting the development of key employment sectors.

Hastings Borough Council Corporate Plan	Local	Growth, inclusion and futureproofing priorities through offering income generation, business growth and support opportunities and increased job opportunities.
Hastings Borough Council Cultural Regeneration Strategy	Local	Supporting the growth and development of new businesses and supporting growth ambition in existing businesses.
Hastings Local Plan and Development Management Plan	Local	Development of an identified site in line with the economic policies set out within the plan.  The development is also sympathetic to the policies set out within the Local Plan of neighbouring Rother district, of which it is proximal.

It is intended that this proposal will contribute towards the overall goals of the SELEP Economic Growth Strategy by generating new private sector employment, and boosting productivity by providing affordable, fit for purpose supported units.

**2.4. Need for intervention:**

*[Specify the current and future context and articulate the underlying issues driving the need for intervention referring to a specific market failure, need to reduce externalities, Government redistribution objectives etc.; max. 2 pages.]*

The council considers development of the 28 incubator units will inform future proposals for the larger ‘move on’ units on the bottom part of the site. Combining these plots in the future will provide better development opportunities and employment growth in the town, as well as a managed on site growth pathway for tenant businesses. This proposal will form Phase 1 of development on the site and it’s anticipated that this development will kick-start investment to enable the rest of the site to be developed.

The make-up of businesses located on the estate include nationally and internationally respected enterprises including Marshall Tufflex, Interface, Technoturn, LG Optical as well as Plastica, BD Foods and HG Aerospace on neighbouring estates. The presence of incubator units in the area will enable mutual supply chains and support systems to develop in the area.

**Market research on need for business incubation spaces**

Market research conducted by Dyer & Hobbs in March 2017 indicates that:

- The average current available space, which is between 116m<sup>2</sup> – 1,245m<sup>2</sup>, is far greater than that of desirable incubator space dimensions. The majority of space is also over 10 years old and is to let.
- Demand for smaller units is higher than normal levels with a significant shortage of available units of between 28 – 116m<sup>2</sup>.

- Phased development is essential to prevent flooding of the market with too many available properties, which could lead to long void periods. Although demand for small unit remains high, there is always a finite amount of potential tenants in the market at any one time.

Please see Appendix 4: LGF 3b HBC Sidney Little Road Dyer Hobbis Incubation Need Report March 2017

### **Demand for smaller quality units**

As a large commercial landlord, the council has considerable knowledge and understanding of local business need. Within Hastings and the travel to work area, there is a high level of occupancy in small and micro units which is mirrored by high levels of demand. However, there are very few that can be considered incubator units and therefore businesses often move into workspace that, although inexpensive, is insecure, of poor quality and without ongoing support.

The demand is primarily from micro business and start-ups that require basic fit-out and flexible easy in/out terms to enable them to continue growing in a flexible manner, as evidenced by the volume of speculative enquiries the council, our agents Dyer & Hobbis and Locate East Sussex receive. As evidence, the council's existing business centres on Castleham Industrial Estate are currently full.

Hastings and its travel to work area have a substantial amount of 'move on' space, but little or no suitable available provision for micro and start-ups. This is causing a blockage for growth, where demand for incubator units outweighs availability. The recently completed Glovers House in Rother; funded through Growing Places Fund monies secured from SELEP, was originally designated for incubator use however, it has since been secured for use in its entirety by Park Holidays.

Other available micro and small business space is not generally considered to be suitable for the market need. It is either an insecure tenancy, relatively expensive, in a poor location (town centre – little or no parking/access) or is not a suitable type of space (e.g. housed in a high rise block).

Hastings Borough Council is considered to be a desirable landlord offering well maintained properties and this assists the business to attract investment when aiming to secure a loan, at a possibly favourable term over and above those available to other organisations. LGF funding will also allow the council to keep the lease charges competitive for a longer period of time (starting at £12.08<sup>sqft</sup>), helping tenant businesses to flourish in their early phase of development.

The need is clearly identified by an assessment of current available incubation units in Hastings:

### **Hastings Business Operations managed properties:**

	<b>Occupancy</b>	<b>Size</b>	<b>Lease Charge</b>
<b>Creative Media Centre (offices)</b>	<b>95%</b> Ready to go internet & telephony	Unit sizes: 130 <sup>sqft</sup> – 825 <sup>sqft</sup>	Average lease charge £25 <sup>sqft</sup>
<b>Innovation Centre (includes workshops &amp; offices)</b>	<b>95%</b> Ready to go internet & telephony	Unit sizes: 15 <sup>sqft</sup> – 600 <sup>sqft</sup>	Average lease charge £20 <sup>sqft</sup>

### Council managed small / micro spaces

Castle Business Centre, Stirling Rd	Occupancy	Size	Lease Charge
<b>Business Centre East (16 units)</b>	<b>95%</b>	Unit sizes: 220 <sup>sqft</sup> (20m <sup>2</sup> ) – 1130 <sup>sqft</sup> (105m <sup>2</sup> )	Easy in/out lease per - £12.08 <sup>sqft</sup> (£130.03m <sup>2</sup> ) inclusive
<b>Business Centre West (21 units)</b>	<b>95%</b>	Type: micro (all 10 employees or less), varied. All let, with regular movement	Currently two vacant units (on offer)
<b>Total no. of units = 37</b>			

[https://www.hastings.gov.uk/estates/propertiestolet/castleham\\_east/](https://www.hastings.gov.uk/estates/propertiestolet/castleham_east/)

The proposed Sidney Little Road incubation units will address needs as follows:

Unit Size	Total	Number
	9558 <sup>sqft</sup> (887m <sup>2</sup> )	<ul style="list-style-type: none"> <li>x4 322<sup>sqft</sup> (30m<sup>2</sup> units)</li> <li>x24 344<sup>sqft</sup> (32m<sup>2</sup> units)</li> </ul>
<b>Provision of amenities and services</b>	<b>Communal</b> <ul style="list-style-type: none"> <li>Fully accessible</li> <li>32 parking spaces (approx. 1 per unit, plus visitor parking)</li> <li>Solar panel array on roof (may reduce energy costs for tenants)</li> <li>Security; Waste; Heating and Hot Water; Fire Safety System; Ground Maintenance; Access/signposting to business support</li> </ul>	<b>Individual</b> <ul style="list-style-type: none"> <li>Shell unit with electric points, heating, telephony/broadband points</li> <li>Individual kitchenette in each unit.</li> </ul>
<b>Use of units and enabling clustering</b>	<b>Permitted</b> <ul style="list-style-type: none"> <li>General B Class use (offices, small industrial use and research)</li> <li>Likely 0 – 5 employees per unit (dependent on the nature of the business)</li> <li>28 Business units – let on an 'easy in easy out' lease basis with one month's notice</li> </ul>	<b>Not Permitted</b> <ul style="list-style-type: none"> <li>Invasive/noisy activities</li> <li>Warehousing and Retail</li> </ul>

#### 2.5. Sources of funding:

*[Promoters should provide supporting evidence to show that:*

Public funding is regarded as a last resort. Promoters are encouraged to think carefully about and provide strong evidence that the intervention they are proposing has exhausted all other potential sources of funding and there is a genuine need for intervention from the public sector; max. 1.5 pages.]

The council has not been able to develop this land for industrial use since its acquisition in March 2017. It sought part funding from East Sussex County Council Business Incubator Fund Programme in February 2018 but this was declined due to our request for 'grant' funding rather than 'loan' funding.

As the LGF fund is required to be spent by March 2021, we have developed this proposal for immediate action to build entrepreneurial opportunities in Hastings. This fits the SELEP and Team East Sussex objective to support the growth of micro businesses.

The council is seeking £500k funding for the viability gap to develop 28 business incubator hubs at a total cost of £2.7m. It is anticipated c74 jobs will be created at an average cost to LGF investment ratio of c£6,800. This represents excellent value and the bid reflects the low level of rent payable by many businesses in Hastings and the need for support in enabling them to flourish. Given low rent and land values, this development will not be viable without this funding support.

The council is investing in this project itself for long-term income generation purposes to realise the potential of this site.

**2.6. Impact of non-intervention (do nothing):**

*[Describe the expected outcome of non-intervention. Promoters should clearly establish a future reference case and articulate the impacts on environment, economy and society, if applicable. The future reference case should acknowledge that market conditions are likely to change in the future, with or without any intervention. 'Do nothing' scenarios where nothing changes are unlikely; max. 1 page.]*

A do nothing option would leave the whole Sidney Little Road site under developed without any momentum. This may have negative effects on the ability of the Hastings area to support newly created businesses and jobs, resulting in outward migration of skilled workers and innovative technologies, potentially out of the reach of the LEP area.

**2.7. Objectives of intervention:**

*[Outline the primary objectives of the intervention in the table below, and demonstrate how these objectives align with the problems presented in the Need for Intervention section.]*

Project Objectives (add as required)

Objective 1: Build 28 units of 30 - 32m<sup>2</sup> to attract start-up businesses given the latent demand.

Objective 2: Establish a proposed lease model of 'easy in, easy out', with affordable and favourable long-term tenancy term, allowing the businesses to keep costs down to attract further investment

Objective 3: Bring developments forward for phase 2 of the other adjoining plots of land.

Problems or opportunities the project is seeking to address (add as required)

Problem / Opportunity 1: Lack of affordable workspace for start-ups and micro businesses.

Problem / Opportunity 2: No/minimal local infrastructure for local businesses to expand into as they grow.

Problem / Opportunity 3: Parcel of land is not being fully exploited for economic benefit and income generation for the council

*[Complete the following using a system of 0, ✓, ✓✓, ✓✓✓ which maps the objectives to their ability to address each problem. Add rows and columns as required and note not all sections of the table may require completion; max. 1 page.]*

	<b>Problems / opportunities identified in Need for Intervention section</b>		
	<b>Problem / Opportunity 1</b>	<b>Problem / Opportunity 2</b>	<b>Problem / Opportunity 3</b>
Objective 1	✓✓✓	✓✓✓	✓✓✓
Objective 2	✓✓✓	✓✓✓	✓✓
Objective 3	✓	✓✓✓	✓✓✓

### 2.8. Constraints:

*[Specify high level constraints or other factors such as social/environmental/financial/developments/schemes/legal consents and agreements which may affect the suitability of the Preferred Option; max. 0.5 page.]*

Constraints Description	Remarks / Mitigation
Securing elected members approval to financially invest in the project and the associated risks	Development of the units has been financially assessed and shows long-term viability. The proposal is also in alignment with the council's long-term income generation objectives.
Planning approval for the development	The site is specifically identified in the Local Plan for commercial development and environmental and ecological assessment has already been conducted showing minimum impact.
Securing the required level of loan from the Public Works Loan Board	Advice has been sought and there are thought to be no issues in accessing the level of loan required.
Interest rate variance when the PWLB loan is secured compared to existing	Interest rates have been relatively stable but any increases are likely to impact on how quickly the project is able to break even and the future rental charge proposed.
Ability to deliver the development within the timescales required	The council has excellent experience in delivering large capital projects including new factory units as identified in the application.
Future management and maintenance of the investment proposed	The council has a well-established commercial management and maintenance team, able to maintain over 96% occupancy rates of commercial units.

### 2.9. Scheme dependencies:

*[Provide details of any related or interdependent activities that if not resolved to a satisfactory conclusion would mean that the benefits of the scheme would not be fully realised; max. 0.5 page.]*

- Delivery to RIBA Stage 2: The proposal for the incubator units have been developed to RIBA Stage 2, with a robust concept design and costings provided. Please see Appendices 5, 6, 7 and 8 Site Layout, Sections and Elevations, Ground Floor Plan and First Floor Plan.
- Development of phase 2 and 3 on wider site: dependant on LGF investment in incubator units as outlined in this application. There may be follow on application to LGF to develop phase 2 and 3 when the projects become more viable.

- Ecological conflict: None Ecological and topographical surveys of the site have been completed, which resulted in recommendations around drainage and the preservation of habitats for indigenous plant and animal species which have been incorporated into the site plans.
- Planning permission: It is necessary that the planning process is managed well to avoid delays.

#### 2.10. Expected benefits:

*[This section identifies scheme benefits (which will be achieved through delivering the scheme) which may not be valued in the Economic Case. Specify the extent of the scheme benefits referring to relevant economic, social, environmental, transport or other benefits. This is where any 'GVA based' estimates of benefits should be reported together with any dependent development (e.g. commercial or residential floorspace). Please reference the relevant section of the Economic Case where additional information regarding the assessment approach can be found; max. 0.5 page.]*

<b>Benefit</b>	<b>Timescale</b>
The LGF funding will allow the council to keep the lease charges competitive for a longer period of time, helping tenant businesses to flourish in their early phase of development.	Proposed first increase in rent 23/24
Hastings Borough Council is considered a desirable landlord and this assists the business to attract investment when aiming to secure a loan, at a possibly favourable term over and above those available to other organisations.	In perpetuity from 2021
The grant will help the council to create momentum towards developing two further sites in the area in the future including a 35,000 <sup>sqft</sup> factory and varying size of light industrial units with a total area of 11,797 <sup>sqft</sup>	Following completion of development phase in 2020
The project delivers value for money for LGF	The £500k will create 74 jobs when all units are occupied (job to LGF investment ratio c£6,800).

#### 2.11. Key risks:

*[Specify the key risks affecting delivery of the scheme and benefit realisation e.g. project dependencies, stakeholder issues, funding etc. Information on risk mitigation is included later in the template. This section should be kept brief and refer to the main risk register in the Management Case; max. 0.5 page.]*

The key risks affecting delivery are as follows:

- Viability gap for development of site – funding gap may increase if borrowing levels or interest rates increase.

- Planning permission for site refused – this could be from the public and local business for a variety of reasons.
- The development may take longer than anticipated – build phase (24 months) may be optimistic.
- Lack of demand for units results in them not being filled – market research showing need may not be realised.
- Feasibility work identifies factors which result in a need to redesign or delay in development due to project creep and unforeseen ground / land conditions.
- Unable to find a suitable contractor through the public procurement process - causing delay and unable to spend funds by LGF deadline.
- Build contractor liquidates half way through the build process – delays in appointing new contractor leads to failure to deliver the project on time.

### 3. ECONOMIC CASE

*The economic case determines whether the scheme demonstrates value for money. It presents evidence of the expected impact of the scheme on the economy as well as its environmental, social and spatial impacts.*

*In addition to this application form, promoters will need to provide a supporting Appraisal Summary Table (AST). This should provide:*

- *a calculation of Benefit-Cost Ratio (BCR) according to the DCLG Appraisal Guidance, with clearly identified, justified and sensitivity-tested assumptions and costs*
- *inclusion of optimism bias and contingency linked to a quantified risk assessment*
- *inclusion of deadweight, leakages, displacement and multipliers*

*Smaller schemes (less than £2 million) are not required to provide a supporting AST, and do not have to calculate a BCR.*

#### 3.1. Options assessment:

*[Outline all options that have been considered, the option assessment process, and specify the rationale for discounting alternatives.*

*Promoters are expected to present a sufficiently broad range of options which avoid variations (scaled-up or scaled-down version) of the main options. The key to a well scoped and planned scheme is the identification of the right range of options, or choices, in the first instance. If the wrong options are appraised the scheme will be sub-optimal from the onset.*

*Long list of options considered:*

*Description of all options which have been considered to address the problem(s) identified in the **Need for Intervention** section above, including options which were considered at an early stage, but not taken forward.*

*Options assessment:*

*Describe how the long list of options has been assessed (assessment approach), rationale behind shortlisting/discarding each option.*

*Short list of options:*

*The 'Options Assessment' section is an opportunity to demonstrate how learning from other projects and experience has been used to optimise the proposal, and the Preferred Option is expected to emerge logically from this process; max. 2 pages.*

*Smaller schemes (less than £2 million) are required to complete an Options assessment which is proportionate to the size of the scheme; max. 1 page.]*

The council has considered various options to progress the proposed development. These are as follows:

1. **Proceed without LGF funding in place, or with reduced funding:** The council has considered funding the development of the project itself but it's challenging to generate income from good quality business incubator units. The revenue loss during the development phase and first five years of the project (after the building is opened), without LGF funding, is expected to total approximately £750K. Without LGF grant funding, the council would need to take on financial risk which would be unwise in the current economic climate.

The council has budget deficits of £443k for 17/18, £1.039m in 18/19 and £1.036m in 2019/20. The underlying deficit grows to £2.4m by 2021/22. The council, whilst it may be prepared to take the risk of less than 90% to 92% occupancy is unable to fund an ongoing deficit programme. Councillors are likely to resist funding a project which does not cover its costs almost fairly immediately, and this development cannot do so without LGF funding in place.

2. **Non-Intervention:** A do nothing option would leave the whole Sidney Little Road site under developed without any momentum. This may have negative effects on the ability of the Hastings area to support newly created businesses and jobs, resulting in outward migration of skilled workers and innovative technologies, potentially out of the reach of the LEP area.

### 3.2. Preferred option:

*[Describe the Preferred Option and identify how the scheme aligns with the objectives. Include evidence of stakeholder support for the Preferred Option either through consultation on the scheme itself or on the strategy the scheme forms part of; max. 1 page.]*

The preferred option is for the LGF grant to be approved; the grant will enable the council to rapidly proceed with the project. The scheme would need Cabinet approval and if necessary, an emergency Cabinet could be called. Once agreed, a loan could be available for the £2.27m from the Public Works Loan Board within 48 hours.

The grant helps the council to keep the lease charges competitive for a longer period of time. This should help the businesses to flourish in their early phase of development. The grant will also help the council to create momentum towards developing two further sites in the area in the future.

The scheme has a revenue (income) gap funding of £250K during the build (loan cost) and the first five years of the project (income from the lease of the units less operational and loan cost). The business case for the project demonstrates it would allow it to break even within five years of completion, which justifies the investment from a local authority perspective. The local authority is already taking risks in terms being able to let and maintain the occupancy rate over 90% by year four of the project and no further increases in interest rates prior to the PWLB loan agreement. This leaves little scope for flexibility in the LGF funding application.

Stakeholders consulted on the preferred option include our partners, East Sussex County Council, HBC Commercial Properties Management Team, Team East Sussex (East Sussex LEP), Locate East Sussex and local commercial agents Dyer Commercial.

### 3.3. Assessment approach:

*[Describe the approach used to assess the impacts of the scheme, describing both the quantitative and qualitative methods used, and specify the Do Minimum and Do Something scenarios. The assessment approach should be a proportionate application of the DCLG guidance; max. 1.5 pages.]*

The strategic interventions proposed by this scheme have been informed by the council's income generation strategy. As part of this work, the council commissioned an independent marketing report to enable the drafting of a business case for the development of the sites PX and QX. Please see Appendix 4: LGF 3b HBC Sidney Little Road Dyer Hobbis Incubation Need Report March 2017

The report established the demand for small units with the recommendation to build the suggested scheme but to phase further development so as not to flood the market with available space. By agreeing to easy-in/easy-out licences, the aim would be to grow the tenants from the incubator units into larger units already available on site or into any future proposed buildings in phase 2.

Four options for investment for the site were considered:

- **Do nothing** - at the strategic level this puts at risk past investments in the area and the progress of economic regeneration of the town, leaving a derelict site to fester blighting the local neighbourhood.
- **Do minimum** – given the site is currently empty, development is the only practical option. However, a do minimum approach could allow for the site to be cleared and tidied up. However given its assigned use within our local plan it cannot be used for any other purpose other than industrial development.
- **Do something** – use the site to create additional industrial units based on current and projected demand from market analysis but not considering a strategic approach to develop the whole site, which could result in flooding the market but also limiting the offer to one segment of the market which may result in less local starts-ups to develop and grow.
- **Do optimum** - use the site to create additional units with a phased development approach, based on current and projected demand from market analysis, to initially provide facilities for start-ups and small-scale business with flexible leases with phase 2 development to allow for larger units if demand exists.

The **Do optimum** approach will deliver best against the council's and SELEP's priorities and strategies, please see item 2.3 above.

#### 3.4. Economic appraisal assumptions:

*[Provide details of the key appraisal assumptions by filling in the table in Appendix A, expand if necessary. Key appraisal assumptions as set out in Appendix providing justification for the figures used and any local evidence, where appropriate (different from the standard assumptions or the ones with the greatest influence on the estimation of benefits). Explain the rationale behind displacement and deadweight assumptions.*

*Smaller schemes (less than £2 million) are not required to complete this section].*

#### 3.5. Costs:

*[Provide details of the costs of the scheme. All public-sector costs should be included:*

- *Public sector grant or loan*
- *[Public sector loan repayments] (negative value)*
- *Other public sector costs*
- *[Other public sector revenues] (negative value)*

*If the land is owned by the public sector, then the public sector will be incurring holding costs assumed to be 2% of the existing value of the land per year. Should the land be used for non-residential development these holding costs will be avoided. This needs to be reflected in the appraisal as a negative cost.*

*Please note that any private costs associated with the development should be included in the appraisal as a dis-benefit and therefore feature in the numerator of the BCR calculation rather than the denominator.*

*Additional details regarding the consideration of costs as well as standard assumptions that can be used in the absence of local data can be found in the [DCLG appraisal data book](#).]*

Main Cost Items	£££	Remarks
Development Land (for all three sites in Sidney Little Road)	£600,000	Total value of land purchased by HBC in March 2017 (16,100m <sup>2</sup> ). The incubator units will be developed on site using approximately 887m <sup>2</sup> .
Design and Build Cost (including surveys, planning etc.) – see Appendix 9 for detailed breakdown)	£2,773,686	Cost estimates with good levels of contingency. A 10% additional project contingency has been included for building inflation since the cost consultants work (Appendix 9). There are also likely to be additional project requirements – e.g. broadband, energy generation measures etc.
HBC Project Management Cost	£30,000	The project will be managed in house using existing staffing resources
Revenue loss from management letting until full occupancy - see Appendix 2	£250,000	Loss of income for the first five years of the project until breakeven point.
PWLB Loan Amount	£2,273,686	Proposed loan to be sought by HBC from PWLB
PWLB Loan Cost over 40 years	Estimated additional cost over 40 years at £2.25m	This is dependent on interest rate when the loan is confirmed.
Local Growth Fund request	£500,000	Funding to be confirmed June 2019
Management and Maintenance Cost	£20,000 per annum (estimated at the beginning of the project)	Management and maintenance costs taken into account in assessing the financial viability of the project.

### 3.6. Benefits:

*[Provide details of the benefits of the scheme identifying the ‘initial’ and adjusted benefits that were used to calculate the ‘initial’ and ‘adjusted’ BCR. The DCLG Appraisal Guidance provides additional details regarding the initial and adjusted benefit calculations on page 17.*

#### ‘Initial’ Benefits

*All impacts quantified based on the Green Book Guidance and Green Book Supplementary and Departmental Guidance should feature in the 'initial' BCR calculation. These impacts currently include:*

- *Air quality*
- *Crime*
- *Private Finance Initiatives*
- *Environmental*
- *Transport (see WebTAG guidance)*
- *Public Service Transformation*
- *Asset valuation*
- *Competition*
- *Energy use and greenhouse gas emissions*
- *Private benefits e.g. land value uplift*
- *Private sector costs if not captured in land value*
- *Public sector grant or loan if not captured in land value*
- *Public sector loan repayments if not captured in land value*

*'Adjusted' Benefits*

*There are several external impacts to the users or entities already present in a development area or to the society that are additional to the impacts included in the Green Book Supplementary and Departmental Guidance.*

*Such external impacts include potential agglomeration impacts on third parties, health impacts of additional affordable housing and brownfield land clean-up, educational impacts of additional housing, transport externalities, public realm impacts, environmental impacts, and cultural and amenity impacts of development. Such externalities should still form part of the appraisal and included in the 'adjusted' BCR.*

*Promoter should present here additional estimates of impacts based on their own evidence. These estimates might be based on tentative assumptions where the evidence base is not well established. Additional guidance regarding the identification of externalities and ways of estimating the 'adjusted' impacts are available in Annex F of the DCLG Appraisal Guidance.]*

Given the value of this scheme, the council has performed its own financial and business/economic case to proceed with the project (please see Appendix 2 – Sidney Little Road Financial Forecast). This shows an excellent cost to benefit ratio in terms of return on investment, generating surplus for the council within five years and over the long term. The scheme has also been brought forward because of the opening, and close proximity of the Hastings Bexhill link road and associated Queensway Gateway connections. These infrastructure projects were funded by SELEP where the full economic case and benefit cost ratio was assessed.

ROI for the LGF Programme: using the base calculation for Return on Investment (ROI) within the period of LGF investment only (value of development – value of investment) / value of investment, we are presented with (£2,773,686 -£500,000) / £500,000 = 450% ROI which we believe presents good value for the LGF.

The long term ROI will require a valuation of the completed development at market price, however as this exceeds the life of the LGF funded intervention this is not considered relevant at this stage.

The Social Return on Investment metric (SROI), which looks at qualitative factors, the project provides a range of social value factors including green and energy efficiency features; development of a stalled site; addressing market failure.

**3.7. Local impact:**

*[If the scheme has a significant level of local impacts these should be set out in this section.]*

- Job creation – the expected number of jobs created will be 74
- Self-starts – This is a long term high quality commercial premises for the town consisting of 28 units. It will therefore initially support 28 start-up businesses once the building is fully occupied however the number is likely to be greater as businesses go in and out of these premises during its lifetime.
- Business opportunity to expand – we offer long term support to enable businesses to grow.

**3.8. Economic appraisal results:**

*[Please provide details of the key appraisal results (BCR and sensitivity tests) by completing the table below. Please note, not all sections of the table may require completion.]*

*Promoters should also include a statement which identifies other schemes which may have potentially contributed to the same benefits/impacts.*

*Smaller schemes (less than £2 million) are not required to complete a quantified economic appraisal but are required to include a Value for Money rationale.]*

As this is a scheme less than £2m funding request we have not completed the table below. However item 1.15 (Proposed Completion of Outputs) states the outputs expected from the delivery of this project.

In summary, the council is seeking c£500k funding for the viability gap to develop 28 business incubator hubs at a total cost of £2.7m. It is anticipated c74 jobs will be created at an average cost of c£6,800. This represents excellent value and the bid reflects the low level of rent payable by many businesses in Hastings and the need for support in enabling them to flourish. Given low rent and land values, this development will not be viable without this funding support.

	<b>DCLG Appraisal Sections</b>	<b>Option 1 relative to status quo (Do Something)</b>	<b>Option 2 relative to status quo (Do Minimum)</b>
<b>A</b>	Present Value Benefits [based on Green Book principles and Green Book Supplementary and Departmental Guidance (£m)]		
<b>B</b>	Present Value Costs (£m)		
<b>C</b>	Present Value of other quantified impacts (£m)		
<b>D</b>	Net Present Public Value (£m) [A-B] or [A-B+C]		



	<b>DCLG Appraisal Sections</b>	<b>Option 1 relative to status quo (Do Something)</b>	<b>Option 2 relative to status quo (Do Minimum)</b>
<b>E</b>	'Initial' Benefit-Cost Ratio [A/B]		
<b>F</b>	'Adjusted' Benefit Cost Ration [(A+C)/B]		
<b>G</b>	Significant Non-monetised Impacts	<p><i>[Please provide details of the non-monetised impacts of the scheme. Please note that, where monetisation is not possible, a qualitative assessment of the potential impacts should be carried out and presented in the Business Case submission.</i></p> <p><i>The DCLG Appraisal Guidance provides additional details regarding the use of multi-criteria analysis (MCA) on page 25 or switching values to capture the significance of such impacts on page 26]</i></p>	
<b>H</b>	Value for Money (VfM) Category	<p><i>[A VfM category should be produced for each spending option. The VfM should be based on the overall assessment of both monetised and non-monetised impacts. The VfM category will ultimately represent a judgment based on the size of the monetised benefits relative to the monetised costs (the BCR) and the potential significance of non-monetised impacts. Additional guidance can be found on page 28 of the DCLG Appraisal Guidance]</i></p>	
<b>I</b>	Switching Values & Rationale for VfM Category	<p><i>[Sensitivity analysis can be used to identify a 'switching value' particularly with respect to additionality]</i></p>	
<b>J</b>	DCLG Financial Cost (£m)		
<b>K</b>	Risks		
<b>L</b>	Other Issues		

## 4. COMMERCIAL CASE

*The commercial case determines whether the scheme is commercially viable and will result in a viable procurement and well-structured deal. It sets out the planning and management of the procurement process, contractual arrangements, and the allocation of risk in each of the design, build, funding, and operational phases.*

### 4.1. Procurement options:

*[Present the results of your assessment of procurement and contracting route options and the supplier market, and describe lessons learned from others or experience; max. 1 page.]  
Procurement policy?*

The council will be adopting the traditional procurement approach to the construction of the incubator units. This is where the council accepts that design work will generally separate from construction, consultants are appointed for design and cost control, and the contractor is responsible for carrying out the build works. In addition, the consultant will also provide project management expertise and support the council's project team as required.

Hastings Borough Council has already commissioned an architect led project team to progress the plans, designs and costs through to technical design construction and handover in accordance with RIBA stages 0-7. It is anticipated that the multi-disciplinary team is to include the following professional services and disciplines:

- Building / Landscape Architect,
- Project Manager
- Structural Engineer,
- Structural and Building Surveyor,
- Mechanical & Electrical Services Engineer,
- Quantity Surveyor / Cost Consultant,
- Construction Design Management (CDM)

This team will prepare a feasibility study, master programme, concept design and cost plan (initially to RIBA stage 2) they will then develop designs to RIBA stage 4 (technical design) and once funding is approved, progress and manage the project through stages 5, 6 & 7 (construction, handover and close out).

The commissioning of the tender will be managed by the East Sussex Procurement Hub (ESPH) which provides the procurement service for the council.

The procurement is being undertaken as an open tender compliant with the Public Contract Regulations 2015.

The ESPH is a shared service, hosted by Wealden District Council which co-ordinates joint procurement on behalf of its members. It was formed in 2010 by the East Sussex District and Boroughs. It is not a purchasing or contracting body but providers will be expected to communicate directly with the Hub throughout the procurement and the life of the contract.

A prime objective for ESPH members is to generate benefits from process improvements, efficiency savings, aggregation and increased effectiveness in procurement by building upon the best that each council has to offer.

Additionally, it endeavours to create the optimum scenario in which best value is delivered across its members and increase the social benefits in communities through the sourcing activity it undertakes.

Based on our successful experiences with BD Foods we are confident that this process will be the best for this project.

#### 4.2. Preferred procurement and contracting strategy:

*[Define the procurement strategy and contracting strategy (e.g. traditional, (design and build, early contractor involvement) and justify, ensuring this aligns with the spend programme in the Financial Case and the project programme defined in the Management Case; max. 2 pages.]*

Please see item 4.1 regarding our preferred procurement and contacting strategy. The council has successfully used this traditional method to previously secure the delivery of its capital programme. It believes the traditional procurement method delivers high quality build, to its own specification and at a competitive price.

#### 4.3. Procurement experience:

*[Describe promoter (and advisor) experience of the proposed approach including any lessons learnt from previous procurement exercises of a similar scale and scope; max. 0.5 pages.]*

Recent procurement and delivery of capital projects:

- Source Skate Park Hastings – Conversion of a disused below ground level swimming pool into an indoor skate park – total cost £1.17m (2017)
- A new factory unit for expansion of BD Foods – total cost £1.1m (2017)
- Jerwood Gallery, Stade Café, Stade Open Space and Hall – total cost £9m (2011)

Key lessons learnt:

- Ensure specification meets project objectives from the outset – minimise project scope creep
- Involve user, operations and maintenance experts from the start
- Ensure political support for the project during all its development stages
- Ensure all costs estimates are robust and all encompassing
- Provide for required budget to build project and good levels of contingency
- Establish good project management controls, decision making process - addressing issues of responsibility, approval and change authority.
- Establish and active and knowledgeable Project Board
- Maintain good communication with all stakeholders and administrative arrangements

#### 4.4. Competition issues:

*[Describe any competition issues within the supply chain; max. 0.5 page.]*

There are no competition issues within the supply chain. All tenders for construction and design work are issued via a competitive open tender process using the SE Shared Services Portal – <https://www.sesharedservices.org.uk/esourcing> (please see 4.1 above). The tenders will also be advertised on Contracts Finder - <https://www.gov.uk/contracts-finder>. The tender process was set up using a full OJEU compliant procedure. It will also be in compliance with Hastings Financial Operating Procedures and Public Contracts Regulations 2015.

In tendering for architects to design the above incubator units, 130 Suppliers registered an interest with 17 submitting a bid. The tender will be awarded to the Most Economical Advantageous Tenderer based on 60% Quality 40% Cost. Quality was evaluated against the following criteria: Project Team; Programme; Client Objectives; Service Standards and Social Value. Evaluating against both quality and cost ensures value for money.

The build phase tender for the units will be drafted in conjunction with the design team, this process has not been finalised as it is in the early stages. However, the procurement will follow the process outlined above and will also be awarded using a quality / cost criteria. We believe this should address all competition issues with the supply chain.

#### 4.5. Human resources issues:

*[Where possible, describe what you have done to identify and mitigate against any human resource issues; max. 0.5 pages.]*

There are no un-manageable human resource issues relating to the delivery of this project.

The project will be led by our Estates Service Team with the work allocated to the Estates Manager and Principal Estates Surveyor to project manage and organise the delivery of the works, both of whom have been working on the development of the Sidney Little Road Incubation Units for the past 18 months.

The team will be supported by the Design Team whose role will also be to project manage the build phase of the work. The design consultants have identified their teams who will be working on the Sidney Little Project, together with CVs for each team member.

In addition, our Estates Team will also be supported by our Building Surveyors to address any design and technical issues which may arise during both the design and build phase. The council Regeneration Team will oversee compliance with all LGF reporting and monitoring requirements.

In total there are 4 groups of staff team (3x HBC Internal team and 1 Consultant Design Team) involved in overseeing the delivery of the project. This represents a multi skilled experienced team. Within these teams, staffing support can be re-organised to respond to any human resource challenges.

#### 4.6. Risks and mitigation:

*Specify the allocation of commercial risks (e.g. delivery body, federated area, scheme promoters) and describe how risk is transferred between parties, ensuring this is consistent with the cost estimate and Risk Management Strategy in the Management Case; max. 1 page.]*

Risk Element	Identified risk	Likelihood	Impact	Mitigation
<b>Funding</b>	Viability gap for development of site	M	H	A source of viability gap funding has been identified via the Local Growth Fund. If it is not possible to access gap funding, the programme will not be financially viable to move forward.
<b>Planning</b>	Planning permission for site refused	L	H	The site is identified within the Hastings Local Plan 2014 for a development of this type. Therefore, it is unlikely that planning permission would be refused.

<b>Project overruns</b>	The development may take longer than anticipated.	L	M	Dedicated and experienced project manager and architect will work with contractors to minimise risk. Should the project then overrun, the project can be adapted to reduce impact (e.g.; completing a percentage of units for occupation).
<b>Demand</b>	Lack of demand for units results in them not being filled	L	L	The projections in the income and expenditure forecast show a conservative estimate of 30% occupancy in year 1, rising to 90% in year 3. Based on current occupancy levels of the council and Hastings Business Operations current business centre spaces, it is unlikely that occupancy could fall below this level.
<b>Site</b>	Feasibility work identifies factors which result in a need to redesign or delay development.	L	M	The most likely cause of a delay would be the findings of the ecological survey. Topographical & ecology surveys have now been carried out and nothing significant which would lead us to anticipate a delay was found.
<b>Procurement</b>	Unable to find a suitable contractor through the public procurement process.	L	M	The council will use the expertise of the East Sussex Procurement Hub to proceed with the development.

If the LGF funding is approved and the development proceeds, all the commercial risks rest with Hastings Borough Council. The council has a strong commercial property management team which is able let and manage the property effectively for the long-term. The additional objective of this proposal is to generate income for the council.

#### 4.7. Maximising social value:

*[Where possible, provide a description of how the procurement for the scheme increases social value in accordance with the Social Value Act 2012 (e.g. how in conducting the procurement process it will act with a view of improving the economic, social and environmental well-being of the local area and particularly local businesses); max. 0.5 page.]*

We will use Social Value as one of the criteria to assess tenders. Generally we ask the organisation to outline all the community benefits they propose to offer and how they will access local supply chains and support the local economy and community. This must be specifically for the provision of the contract and not general adherence to environmental and sustainability projects.

## 5. FINANCIAL CASE

*The Financial Case determines whether the scheme will result in a fundable and affordable Deal. It presents the funding sources and capital requirement by year, together with a Quantitative Risk Assessment (QRA), project and funding risks and constraints. All costs in the Financial Case should be in nominal values<sup>1</sup>.*

*The profile of funding availability detailed in the Financial Case needs to align with the profile of delivery in the Commercial Case.*

### 5.1. Total project value and funding sources:

*[Specify the total project value and how this is split by funding sources by year, as per the table below (expand as appropriate). This should align with the total funding requirement described within the Project Overview section. Please include details of other sources of funding, and any conditions associated with the release of that funding. LGF can only be sought to 2020/21.]*

Total Project Value: £2,773,686

LGF Funding Request: £500,000

HBC Funding (via PWLB): £2,273,686

### 5.2. SELEP funding request, including type (LGF, GPF, etc.):

*[Specify the amount and type of SELEP funding sought to deliver the project. This should align with the SELEP funding requirement described within the Project Overview section.]*

The amount of funding requested is £500,000 from the LGF fund.

### 5.3. Costs by type:

*Detail the cost estimates for the project by year as per the table below (expand as appropriate) and specify how the inclusion of the Quantitative Risk Assessment (QRA) and other overheads aggregate to the total funding requirement. Where conversion has been made between nominal and real cost estimates (and vice versa) please provide details of any inflation assumptions applied. The Financial Case should not include Optimism Bias. Please confirm that optimism bias has not been applied in the Financial Case. Also, include details of the agreed budget set aside for Monitoring and Evaluation, and ensure this aligns with the relevant section in the Management Case. Please note, not all sections of the table may require completion.]*

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<sup>1</sup> Nominal values are expressed in terms of current prices or figures, without making allowance for changes over time and the effects of inflation.

<b>Sidney Little Road - Incubation Hub</b>	<b>Expenditure</b>	<b>Forecast</b>	
Cost type - Capital	19/20	20/21	21/22
Substructure – foundations, piling, GF construction etc.	£51,000	£104,641	
Superstructure – Frame, roof, stairs, walls, windows, doors		£628,850	
Internal Finishes		£130,000	
Fittings and Furnishing & Equipment		£43,304	
Services		£239,000	
External Road and Car Parks		£543,875	
Main Contractors Preliminaries	£135,000		
Main Contractors Overheads	£30,000	£128,000	
Construction / Design Development and Design Contingency		£199,330	
Project and Design Team Fees	£165,250	£72,500	£7,000
Development Contingencies		£230,000	
End of Defects Period		£65,936	
Monitoring and Evaluation (HBC Estates Team)	£0	£0	£0
<b>Total funding requirement</b>	<b>£381,250</b>	<b>£2,385,436</b>	<b>£7,000</b>
<b>Funding source</b>			
Capital - Public Works Loan Board	<b>£0</b>	<b>£2,266,686</b>	<b>£7,000</b>
<b>Total funding requirement from LGF 3B</b>	<b>£381,250</b>	<b>£118,750</b>	<b>£0</b>
<b>Total Project Budget</b>	<b>£381,250</b>	<b>£2,385,436</b>	<b>£7,000</b>

Appendix 3: LGF 3b HBC Sidney Little Road Project Plan April 19 – shows the full expenditure forecast.

Appendix 9: LGF 3b HBC Sidney Little Road Build Cost Plan Blade Consulting Jan 2018 provides the cost consultants estimates to deliver the project. In addition, we have provided a 10% project contingency to include inflation and other associated risks in bringing undeveloped land back into use

#### 5.4. Quantitative risk assessment (QRA):

*[Provide justification for the unit costs and a Quantitative Risk Assessment (QRA) provisions (detailed in the capital and non-capital tables above); max. 2 pages. Please provide supporting documents if appropriate.]*

All the unit costs included in the table above for the enabling the design and construction works have been derived from discussions with external consultants and experts, and HBC's own technical teams.

At this stage of the project, it is not possible to give exact costs due to the design only being at the concept stage up to RIBA stage 1. However, through discussions with the experts in the field the costs are deemed to be as accurate as possible at this stage.

In summary, the unit costs outlined above have been derived from the following sources:

Construction costs – Appendix 9: LGF 3b HBC Sidney Little Road Build Cost Plan Blade Consulting Jan 2018 provides the cost consultants estimates to deliver the project. In addition, we have provided a 10% project contingency to include inflation and other associated risks in bringing undeveloped land back into use. Blade Consulting are locally based Cost Consultants who have worked with the council in several construction projects to successfully provide high level indication of the construction costs for these types of capital projects. They have substantial experience in delivering schemes of this type and scope and therefore it is considered that these costs can be relied upon to be as accurate as possible at this stage of the project. These costs have been used as the basis for the information provided in the table above.

It is acknowledged that further design work is required before a full tender pack is produced for the build phase. Subsequently a contingency allowance of 10% has been applied to all the elements of construction and design development cost with an additional 10% contingency for inflation. However, extensive studies and surveys have been carried out on the site as part of the early design process, including ecological and contamination surveys and these have also been taken into account.

Construction supervision – Hastings Borough Council has substantial previous experience of delivering projects of this scale (see 4.3 Procurement experience). As the developed design is progressed the costs will be reviewed and updated as appropriate. The Estates Manager and project team will continuously review project costs and will immediately flag any potential issues to the LGF Programme Steering Group.

A full Quantitative Risk Assessment will be completed by the Project Manager as part of the preconstruction phase of the project. Until then a total risk allowance of approximately 20% has been included in the table above (see detail in Appendix 2 – Sidney little Road Financial Assessment and Appendix 9 – Sidney Little Road Build Cost Plan Blade Consulting Jan 2018).

Appendix 3 (Sidney Little Road Project Plan October 18) provides an initial project delivery plan. This has been updated to reflect the revised timelines for LGF funding and to ensure all activities are planned and scheduled in the most efficient manner. The contingency is to allow for unexpected changes, delays or variations caused by any of the tasks.

During the delivery phases of the project, a robust costing exercise will be undertaken and reviewed by the design and project management / cost consultants to ensure that the project is affordable. Detailed preconstruction work will be carried out including the early involvement of utility companies, and any additional surveys as required.

An iterative approach to value engineering will be applied during the construction phase, and management through Joint Contracts Tribunal (JCT) contracts will mean that cost predictability and certainty will be accurate at any point in the scheme. As the project progresses, all costs will be continuously reassessed and if necessary value engineering will be considered where appropriate to ensure that the project is delivered within budget.

**5.5. Funding profile (capital and non-capital):**

*[Where possible, explain the assumed capital and non-capital funding profile, summarise the total funding requirement by year, and funding source (add rows / columns as appropriate). Please note, not all sections of the table may require completion. Also, explain the external factors which influence/determine the funding profile, describe the extent of any flexibility associated with the funding profile, and describe non-capital liabilities generated by the scheme; max. 1 page.]*

Funding source	Expenditure Forecast					
	17/18	18/19	19/20	20/21	21/22	Total
Capital - Public Works Loan Board		£0	£0	£2,266,686	£7,000	£2,273,686
<b>Total funding requirement from LGF 3B</b>			£381,250	£118,750		£500,000
Total Project Budget		£0	£381,250	£2,385,436	£7,000	£2,773,686

**5.6. Funding commitment:**

*[Provide signed assurance from the Section 151 officer to confirm the lead applicant will cover any cost overruns relating to expenditure and programme delivery, as per the template in Appendix A. Please also confirm whether the funding is assured or subject to future decision making.]*

Dear Colleague

In submitting this project Business Case, I confirm on behalf of Hastings Borough Council that:

- The information presented in this Business Case is accurate and correct as at the time of writing.
- The funding has been identified to deliver the project and project benefits, as specified within the Business Case.
- As the lead applicant, Hastings Borough Council will cover any cost overruns relating to expenditure and programme delivery.
- The risk assessment included in the project Business Case identifies all substantial project risks known at the time of Business Case submission.
- All contractors will be tendered through the East Sussex Procurement Hub, which is compliant with EU procurement regulations, and therefore will not be in receipt of State Aid.
- The delivery body has considered the public-sector equality duty and has had regard to the requirements under s.149 of the Equality Act 2010 throughout their decision-making process. This should include the development of an Equality Impact Assessment which will remain as a live document through the projects development and delivery stages.
- The delivery body has access to the skills, expertise and resource to support the delivery of the project
- Adequate revenue budget has been or will be allocated to support the post scheme completion monitoring and benefit realisation reporting

- The project will be delivered under the conditions in the signed LGF Service Level Agreement with the SELEP Accountable Body.
- I note that the Business Case will be made available on the SELEP website one month in advance of the funding decision being taken, subject to the removal of those parts of the Business Case which are commercially sensitive and confidential as agreed with the SELEP Accountable Body.

Yours Sincerely,

*Signature to follow*

S151 Officer: Peter Grace, Assistant Director Financial Services & Revenues

**5.7. Risk and constraints:**

*[Specify project and funding risks and constraints. Describe how these risks have, where appropriate, been quantified within the QRA/contingency provisions; max 0.5 pages.]*

Risks and constraints	
Viability gap for development of site	The funding gap may increase if borrowing levels or interest rates increase. If gap funding cannot be accessed, the programme will not be financially viable to move forward.
Funding is not secured	HBC can only borrow £2,273,686 from the Public Works Loan Board as there would be too much risk to the council. LGF £500,000 LGF cannot decrease as there is no alternative to fund the proposal. The council is already taking financial risk in terms of managing revenue shortfall in the first five years at
Planning permission for site refused	This could be from the public and local business for a variety of reasons.
The development may take longer than anticipated	Build phase may be longer, 24 months may be too optimistic
Lack of demand for units	Market research showing the need may not be realised and the units will not be filled.
Project creep and unforeseen ground / land conditions.	Feasibility work identifies factors which result in redesign or delay a in development
Suitable contractors not appointed	Unable to find a suitable contractor the public procurement process causing delay LGF funds not being spent by the deadline
Build contractor liquidates during build process	This will cause development delays while new contractors are appointed and the project would not be delivered on time.
Project contingencies	We have allowed for construction / design development and design contingency has been allowed £199,330 We have also allowed for construction inflation contingencies £273,730. The original cost estimates provided by cost consultants in January 2018 but build not expected to commence until February 2020.

Please also refer below to Appendix B – Risk Management Strategy

## 6. MANAGEMENT CASE

*The management case determines whether the scheme is achievable and capable of being delivered successfully in accordance with recognised best practice. It demonstrates that the spending proposal is being implemented in accordance with a recognised Programme and Project Management methodology, and provides evidence of governance structure, stakeholder management, risk management, project planning and benefits realisation and assurance. It also specifies the arrangements for monitoring and evaluation in terms of inputs, outputs, outcomes and impacts.*

### 6.1. Governance:

*[Nominate the project sponsor and Senior Responsible Officer, explain the project governance structure (ideally as a diagram with accompanying text) and describe responsibilities, project accountability, meeting schedules etc.; max. 1 page.]*

**The Project Sponsor** is the council's assistant financial director and is responsible for sign off of section 151, LGF application, council match funding, Public Works Loan Board application and is the lead officer in charge of physical assets including Sidney Little Road.

**The Senior Responsible Officer** is the council's economic development manager. He is the lead officer for the LGF project within the council which includes oversight and delivery of the project. The role includes the management of the programmes physical and financial reporting, ensuring compliance with relevant State Aid regulations and identification of opportunities for greater strategic work and added value.

**Cabinet** has overall governance and will give approval of the project and permission to deliver under delegated powers of authority. Cabinet is the projects' scrutiny body and provides overall governance of the council. It is expected that Cabinet will give full project approval at the scheduled meeting in January 2019.

**Corporate Management Group (CMG)** is the senior staff governance and scrutiny body. The group meet monthly and receives progress reports from the Project Delivery Officer and Senior Responsible Officer. It will give approval of the project and project decisions using its delegated powers of authority and is responsible for scrutiny of project activity.

**Project Delivery Officer** is the council's estates manager responsible for managing physical and financial delivery of the project and procurement of project specific goods and services. The project delivery officer will also manage project contractors, oversee the marketing and tenancing of the completed incubation units and provide accurate progress reports to the Senior Responsible Officer, Cabinet and CMG.

**Contractors** are procured through the council's standard procurement practices via the East Sussex Procurement Hub (ESPH). Contractors are responsible for the delivery of goods, services and actions and report directly to the Project Delivery Officer.

**Post development Delivery** is the joint responsibility of the council's Estate Officer and Economic Development Officer. They will manage the day to day function of the completed incubation units and provide support for the tenant businesses. They will advertise and promote tenancies within the premises and identify suitable training, support and move-on opportunities.

HBC is committed to excellent programme management and project control systems. This project will be managed using the corporate standard version of MSP and PRINCE2 lite. This will include the use of a Project Plan (Microsoft Project), Communications Plan, Risk and Issue Logs which will be maintained by the project team.

It is regulated by International Financial Standards as well as the CIPFA code so all financial policies are in accordance with these standards and reviewed regularly to ensure the latest updates are included as part of that. This will cover all areas of financial management and ensures that all relevant staff are appropriately trained. Peter Grace as the council's assistant financial director and section 151 officer (and this project sponsor) is ultimately responsible for these. HBC produce a Corporate Plan which incorporates corporate governance and best practise.

We have to comply with many audit and financial regulations, one of which is that we have a tied hierarchical approver system. By having a layered approval structure the amount and type of approval that can be given will depend on the level of seniority within the organisation. This is controlled by a finance systems administrator who monitors and maintains the finance systems.

Checks and processes will be carried out within the project team with monitoring and compliance supported by the monitoring team and internal audit within the finance team. The checks will also monitor underperformance and subsequent implications as well as checking for errors in KPIs.

Evidence of appropriate procurement process and state aid will be assessed as part of the contracting process. Monitoring will continue for the lifetime of the project.

Please see Appendix 10: LGF 3b HBC Sidney Little Road Governance Chart.

**6.2. Approvals and escalation procedures:**  
*[Specify the reporting and approval process; max. 0.5 pages.]*

**The Project Sponsor** is the council's assistant financial director and is responsible for sign off of section 151, the LGF application, council match funding, Public Works Loan Board applications and is the lead officer in charge of physical assets including Sidney Little Road.

**Cabinet** has overall governance and will give approval of the project and permission to deliver under delegated powers of authority. Cabinet is the projects' scrutiny body and provides overall governance of the council. Cabinet gave full project approval at its meeting in January 2019.

**Corporate Management Group (CMG)** is the senior staff governance and scrutiny body. The group meet monthly and receives progress reports from the Project Delivery Officer and Senior Responsible Officer. It will give approval of the project and project decisions using its delegated powers of authority and is responsible for scrutiny of project activity.

**Project Delivery Officer** is the council's estates manager responsible for managing physical and financial delivery of the project and procurement of project specific goods and services. The project delivery officer will also manage project contractors, oversee the marketing and tenanting of the completed incubation units and provide accurate progress reports to the Senior Responsible Officer, Cabinet and CMG.

It is anticipated that the project will be overseen by a multi-disciplinary team which is to include the following professional services and disciplines:

- Building / Landscape Architect (Design Consultant)
- Project Manager/Project Delivery Officer (HBC Estates Manager)
- Structural Engineer (Design Consultant)
- Structural and Building Surveyor (Design Consultant and HBC Building Surveyors)
- Mechanical & Electrical Services Engineer (Design Consultant and Construction Company)

- Quantity Surveyor / Cost Consultant (Design Consultant and Construction Company)
- Construction Design Management (CDM – Design Consultant)

The project manager together with the design consultant is expected to make day to day operational decisions in order to ensure project delivery. Any issues or risks that arise which might impact on the successful delivery of the project will be reported on the monthly project report for consideration by the whole project team and a decision taken by the project sponsor, identified in the Governance structure (6.1).

Hastings Borough Council is directly funding over 80% of the budget for this project and the council has a well-established Financial Operating Procedure in relation to any project over runs, delays and addressing unforeseen risks. This is not only at Director level, for approval for any increases in budgets but also a new HBC Cabinet approval is necessary if the budget exceeds 15% or up to £50,000 of its original estimate.

If the project manager and the Council are requesting a change to the project which impacts on outcomes, outputs, delivery timetable of the project to that specified in the LGF funding Business Case application, we will submit a change management request for consideration by the local LGF Programme Steering Group. The council is aware that where a significant change is proposed it is required to seek approval by SELEP Accountability Board before implementing the change.

### 6.3. Contract management:

*[Explain your approach to ensuring that outputs are delivered in line with contract scope, timescale and quality; max. 0.5 pages.]*

As stated, the day to day contract management for both the design and construction phase of the work will be managed by council's estates management team. In addition, the following steps will be taken to ensure effective contact management and delivery of the results expected from the programme.

- As part of the design and project management procurement process the consultants will be expected to sign the RIBA Standard Professional Services Contract 2018 (Architectural Services) contract. This contract provides comprehensive contract terms and is suitable where the Architect undertakes a commission using a traditional form of procurement.
- As part of the build phase, it is the intention to use the JCT Intermediate Building Contract (IC) 2016. This type of contract allows for the council and it's design team to provide for detailed contract provisions, with drawings and a specification, work schedules or bills of quantities to define adequately the quantity and quality of the work. It also allows for a contract administrator and quantity surveyor to administer the conditions.
- For both contracts, a clear work specification will be issued prior to appointment which will detail the scope of the work required. When procuring a contractor to build the scheme there will be a clear indication of the quality required when considering the final output. Once a contractor or consultant has been appointed they will be required to attend regular meetings with the project team to provide an update on progress with the work programmes.
- Changes to the contract: If the contractor/consultant needs to make any changes to the programme, they will be required to formally submit the details of the change and any implications in terms of programme or budget to the project manager via email. The project manager will then consider the change being requested and will respond in writing setting out

whether the change has been agreed and if there are any alternative solutions to the issue identified which may reduce the impact on the project.

- There are also clear timelines and KPIs which the consultants and build contractor will be required to meet. If these are not being met the supplier will be required to attend a meeting with the project team to explain their failure to comply with the requirements of their appointment. If a solution cannot be found, consideration will be given to terminating the contract and re-appointing from the framework.

#### 6.4. Key stakeholders:

*[Describe key stakeholders, including any past or planned public engagement activities. The stakeholder management and engagement plan should be provided alongside the Business Case; max. 0.5 pages.]*

The key stakeholders are internal, predominantly the council's Income Generation Board with day to day support from the Estates Team. Other teams include Economic Development within the Regeneration and Culture department as well as local inward investment partner Locate East Sussex. Market research for the scheme has also been conducted by external consultants Dyer & Hobbs who are one of the largest commercial agents in the area.

Internal management of stakeholders is coordinated by the councils Corporate Management Group and the Economic Development Team. It maintains regular meetings with Locate East Sussex, Let Do Business and other partners in the area. The council's Commercial Estates team manage the relationship with established and potential clients with the support of its commercial agents.

#### 6.5. Equality Impact:

*[Provide a summary of the findings of the Equality Impact Assessment (EqIA) and attach as an Appendix to the Business Case submission. If an EqIA has not yet been undertaken, please state when this will be undertaken and how the findings of this assessment will be considered as part of the project's development and implementation. The EqIA should be part of the final submission of the Business Case, in advance of final approval from the accountability board; max. 0.5 pages.]*

The building itself will be fully compliant with the Equalities Act ensuring it meets the highest accessibility standards. Business support will be provided by the council's economic development team, Let's Do Business and Locate East Sussex. This will ensure incubation units are made available to as many people as possible. In addition full EqIA will be undertaken following Cabinet approval and funding agreement. Its findings will inform the council's next steps regarding the project development and how the units will be advertised and made available to all.

#### 6.6. Risk management strategy:

*[Define the Risk Management Strategy referring to the example provided in Appendix B (expand as appropriate), ensuring this aligns with the relevant sections in the Financial and Commercial Case. Please provide supporting commentary here; max. 0.5 pages.]*

HBC is committed to excellent programme management and project control systems. The scheme will be managed using the corporate standard version of MSP and PRINCE2 lite. This will include the use of a Project Plan (Microsoft Project), Communications Plan, Risk and Issue Logs which will be maintained by the Project Manager.

The Project Manager will report to the Project Board on a regular basis and by exception as required. The Project Manager will report directly to the Project Sponsor who also sits on the Corporate Management Group and will make final decisions regarding the risk management.

Please refer below to: APPENDIX B – RISK MANAGEMENT STRATEGY

**6.7. Work programme:**

*[Provide a high-level work programme in the form of a Gantt Chart which is realistic and achievable, by completing the table in Appendix C (expand as appropriate). Please describe the critical path and provide details regarding resource availability and suitability here; max. 0.5 pages.]*

Appendix 3: LGF 3b HBC Sidney Little Road Project Plan April 2019

**6.8. Previous project experience:**

*[Describe previous project experience and the track record of the project delivery team (as specified above) in delivering projects of similar scale and scope, including whether they were completed to time and budget and if they were successful in achieving objectives and in securing the expected benefits; max. 0.5 pages.]*

**Delivering large Capital Projects**

The council has delivered a substantial number of major capital projects in recent years. This includes the new factory for BD Foods, refurbishment of 5 factory units at Theaklen Drive, development of Castleham Business Centre, Stirling Rd, and development of the Stade Open Space, Hastings Museum and Source Park. We are experienced in development, procurement, and construction delivery, often working in leading and working in partnership with other investors or organisations. Each project has a named dedicated officer, with a wider support team including our building surveyor and planning officer.

**Managing our commercial portfolio**

Locally the council is seen as a good reputable landlord offering well maintained properties. The council manages over 300 tenanted assets. We have a dedicated Estate Management and Building Maintenance team (staff of 7) overseeing our tenanted asset portfolio. They include qualified and experienced estates and building surveyors, technical staff and administration support. We also have an Economic Development team which is able to offer business support advice together with Locate East Sussex. As a large landlord, we are also able to offer growth solutions and pathways with other properties in our portfolio.

Hastings Borough Council is considered a sound investment when aiming to secure a loan and is likely to achieve favourable loan amounts and terms over and above those available to private developers or other organisations.

**6.9. Monitoring and evaluation:**

*[SELEP are required to submit detailed quarterly project monitoring reports to the Department for Business, Energy and Industrial Strategy for schemes that have been funded through the LGF to enable ongoing monitoring and evaluation of individual projects. Monitoring and evaluation metrics should be aligned to these reporting requirements (South East Local Enterprise Partnership Assurance Framework 2017, Section 5.8 – see SELEP Business Case Resources document). A proportionate approach to Monitoring and Evaluation should be followed ensuring evaluation objectives relate back to the business case and build on assumptions used in the appraisal process.]*

Specify the following:

Inputs

- Describe what is being invested in terms of resources, equipment, skills and activities undertaken to deliver the scheme

Outputs (delivering the scheme/project)

- Identify what will be delivered and how it will be used

Outcomes (monitoring)

- Identify and describe how the relevant performance indicators (KPIs) will be used to monitor the outcomes, including high-level outcomes, transport (outputs), land, property and flood protection (outputs) and business, support, innovation and broadband (outputs) (as per the table in Appendix D)

Impacts (evaluation)

- Describe how the impacts will be evaluated 2 and/or 5 years post implementation depending on the size of the project. Consider the impact of the intervention on the following Growth Deal outcomes (if relevant):
  - o Housing unit completion
  - o Jobs created or safeguarded
  - o Commercial/employment floor space completed
  - o Number of new learners assisted
  - o Area of new or improved learning/training floor space
  - o Apprenticeships

Promoters should also include a statement which identifies other schemes which may have potentially contributed to the same benefits/impacts.

Max. 1 page excluding table.

Smaller schemes (less than £2 million) are required to complete Monitoring and Evaluation which is proportionate to the size of the scheme; max. 0.5 page.]

Inputs	Outputs	Outcomes	Impact
Project delivery resources for capital build  Construction team	Total 9558sqf (887m <sup>2</sup> ) space Made up of x4 322 <sup>sqft</sup> (30m <sup>2</sup> units) and x24 344 <sup>sqft</sup> (32m <sup>2</sup> units) Fully accessible 32 parking spaces (approx. 1 per unit, plus visitor parking) Solar panel array on roof (may reduce energy costs for tenants) Security; Waste; Heating and Hot Water; Fire Safety System; Ground Maintenance; Access/signposting to business support	General B Class Use Space (offices, small industrial use and research) Likely 0 – 5 employees per unit (dependent on the nature of the business)  Development Phase 14 Design and Construction Jobs (year 1 and 2)  Number of Business Units Created 28 Business Units – to be let on an ‘easy in easy out’ lease	Commercial/employment floor space completed and utilised will be monitored through occupancy.  Additional increased space brought forward by this intervention (such as phase 2) will be recorded.

	Shell unit with electric points, heating, telephony/broadband points Individual kitchenette in each unit.	basis with one month's notice	
Estates services letting and management	Jobs created by tenant businesses 74 (FTE) jobs created by businesses in hub units	Jobs created Building occupancy rate Rental income achieved Number of businesses that move on to larger spaces	Jobs created or safeguarded will be monitored through the regular assessment and reporting on tenant occupancy and move on.

This project aligns with the council corporate priorities and therefore will be subject to regular review, particularly given the level of financial commitment that is to be made by the local authority.

Overall project evaluation can be expected to be undertaken on a 5 year cycle or when there are key decisions to be made e.g. the council's income generation strategy, financial position which will consider opportunities around phase 2 of the works.

#### 6.10. Benefits realisation plan:

*[A Benefits Realisation Plan provides details of the process that will be followed to ensure that benefits are sustained and that returns on investment are maximised where possible. The Benefits Realisation Plan identifies the potential benefits and how these will be tracked and measured, the risks that may prevent benefits being realised and the critical success factors that need to be in place to ensure that benefits are realised. In many cases, benefits realisation management should be carried out as a duty separate from day to day project management. Describe the proposal for developing a Benefits Realisation Plan which should involve continuous public engagement to ensure the anticipated benefits are realised. The Benefits realisation plan should be consistent with the Strategic and Economic Case; max. 0.5 page.]*

A detailed benefits realisation Plan will be developed upon development of a full business case.

<b>Benefit</b>	<b>Timescale</b>	<b>Measured</b>	<b>Risks</b>
LGF will allow the council to keep the lease charges competitive for a longer period of time, helping tenant businesses to flourish in their early phase of development.	Proposed first increase in rent 23/24	Tenancy occupancy rate Comparison with competitors lease charges Business expansions	Unsuitable and unattractive lease and charges Strong competition



<p>Hastings Borough Council is considered a desirable landlord and this assists the business to attract investment when aiming to secure a loan, at a possibly favourable term over and above those available to other organisations.</p>	<p>In perpetuity from 2021</p>	<p>Tenanted businesses able to invest and expand</p> <p>Tenant feedback on council as landlord</p>	<p>Support from council as landlord is reduced due to organisation and financial constraints</p> <p>Lease charges need to increase making landlord less desirable</p>
<p>The grant will help the council to create momentum towards developing two further sites in the area in the future including a 35,000<sup>sqft</sup> factory and varying size of light industrial units with a total area of 11,797<sup>sqft</sup></p>	<p>Following completion of development phase in 2020</p>	<p>Occupancy rate and future demand on phase one.</p> <p>Market intelligence supporting demand for phase 2 requirements</p>	<p>Demand for extra buildings doesn't materialise</p> <p>External competition</p>

## 7. DECLARATIONS

<p><i>Has any director/partner ever been disqualified from being a company director under the Company Directors Disqualification Act (1986) or ever been the proprietor, partner or director of a business that has been subject to an investigation (completed, current or pending) undertaken under the Companies, Financial Services or Banking Acts?</i></p>	<p>Yes/ No</p>
<p><i>Has any director/partner ever been bankrupt or subject to an arrangement with creditors or ever been the proprietor, partner or director of a business subject to any formal insolvency procedure such as receivership, liquidation, or administration, or subject to an arrangement with its creditors</i></p>	<p>Yes /No</p>
<p><i>Has any director/partner ever been the proprietor, partner or director of a business that has been requested to repay a grant under any government scheme?</i></p>	<p>Yes/ No</p>

*\*If the answer is “yes” to any of these questions please give details on a separate sheet of paper of the person(s) and business(es) and details of the circumstances. This does not necessarily affect your chances of being awarded SELEP funding.*

I am content for information supplied here to be stored electronically, shared with the South East Local Enterprise Partnerships Independent Technical Evaluator, Steer Davies Gleave, and other public sector bodies who may be involved in considering the business case.

I understand that a copy of the main Business Case document will be made available on the South East Local Enterprise Partnership website one month in advance of the funding decision by SELEP Accountability Board. The Business Case supporting appendices will not be uploaded onto the website. Redactions to the main Business Case document will only be acceptable where they fall within a category for exemption, as stated in Appendix E.

Where scheme promoters consider information to fall within the categories for exemption (stated in Appendix E) they should provide a separate version of the main Business Case document to SELEP 6 weeks in advance of the SELEP Accountability Board meeting at which the funding decision is being taken, which highlights the proposed Business Case redactions.

I understand that if I give information that is incorrect or incomplete, funding may be withheld or reclaimed and action taken against me. I declare that the information I have given on this form is correct and complete. Any expenditure defrayed in advance of project approval is at risk of not being reimbursed and all spend of Local Growth Fund must be compliant with the Grant Conditions.

I understand that any offer may be publicised by means of a press release giving brief details of the project and the grant amount.

<p><i>Signature of applicant</i></p>	
<p><i>Print full name</i></p>	<p>Pranesh Datta</p>
<p><i>Designation</i></p>	<p>Economic Development Manager</p>